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RURAL DEVELOPMENT APPROACH IN ROMANIA'S SUSTAINABLE DEVELOPMENT STRATEGY 2014-2020

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Abstract

In recent decades, Romania has faced enormous challenges in meeting its economic and social potential, agro-food and forestry, and rural areas. Gross domestic product per capita was and is much lower than the European Union average and significantly lower in all rural areas, demonstrating a very slow economic growth process. In terms of development, rural areas are significantly different from urban areas and are characterized by persistent structural weaknesses (the large number of people employed in agriculture, the aging of the population, a large number of subsistence holdings, etc.); low added value of agri-food products; low labor productivity and productivity; poor entrepreneurship for the development of economic activities, low access to credits; a non-functional land market; a modest export orientation; insufficient investment in research and development; the continuous increase of regional disparities; a high share of the population at risk of poverty and social exclusion, etc.
The present analysis aimed at highlighting the structural and dynamic evolutions of the main indicators that characterize the agriculture of Romania during the period 2011-2016, namely: macroeconomic indicators; production structures; cultivated areas and livestock; agricultural crop and animal production; prices of agricultural products.
In Romania, the first Sustainable Development Strategy was implemented between 1997 and 1999 and was revised in 2008 (Sustainable Development Strategy 2013-2020-2030). In 2013, the National Strategy for Regional Development 2014-2020 was developed, which includes several aspects of ensuring sustainable development. In 2014, the Strategic Guidelines for Sustainable Development of the Carpathians (2014-2020) were approved.

Key words: tools, financing, agriculture, objectives, strategies

The national financial aids for agriculture The national financial aids for agriculture support were reduced and directed towards the prices control for the basic products and for supporting the consumption, or towards subventions granted for inputs purchase. The use of some inadequate mechanisms of agricultural policy, lacking the performance objectives, determined the maintenance of the agriculture's subsistence character and has not allowed the formation of the sector of the middle commercial farms. In such conditions, it was aggravated the dual character of the Romanian agriculture, being developed a subsistence agriculture and large agricultural enterprises, which could not compete on the European market, and this leaded to the increase of self-consumption and to calling the food imports.

In other respects, the paper aims to highlight a number of such impact assessment tools in the form of a set of indicators able to provide an overview of the direct and indirect measures stemming from the integration process on agriculture, as well as on the influence of CAP mechanisms on agricultural performance at regional level. Impact assessment at the regional level is all the more important because, on the one hand, the agricultural policy measures implemented in our country are related to the level of the whole agriculture, without taking into account the regional particularities and, on the other hand, to be applied decentralized requires essential information to substantiate them.

MATERIAL AND METHOD

The methodological and scientific support in this paper was based on a series of direct and indirect documentation such as: observation, analysis (qualitative, quantitative, and historical), synthesis, comparison, systemic, monographic, statistical, figures and tables in the full and complex exposure and rendering of phenomena and economic processes studied.

The theoretical support of the research focused on the study of important scientific papers

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in the field of economy and management, with reference to the fiscal administration and the current problems in the public finances

RESULTS AND DISCUSSIONS

Thus, Romania adhered to the European Union, with profound structural issues at the level of the agricultural sector. In our country, the number of subsistent and semi-subsistent farms is very high, predominating the agricultural exploitations leaded by the elder farmers, and the food industry is insufficiently developed in order to assure an outlet market for the basic agricultural products. The conclusions drawn (Kneafsey M. 2001) have been compared to identify the positive and negative aspects to which the organic holdings have been exposed financially. (Boggia A. *et al*, 2014; Muscănescu A., 2013; Ungureanu G. *et al*, 2013).

The needs identified at the date of planning the funds for the period 2007-2014 were multiple, among them finding: the modernization and restructuring of the non-performing exploitations; increase of labour productivity and of the level of education and competitiveness of agriculture; support of associations and incorporation of groups of producers, the modernization and restructuring of the small enterprises from the agro-alimentary processing sector and from the forestry sector, with weak scale economies, the reduced use of the capacities and the low level of compliance with the European standards, etc (Henke R., 2014).

In such conditions, the main objectives aimed along with the implementation of CAP 2007-2014 were the formation of the commercial sector of the middle family farms, reduction of the number of agricultural farmers and creation of jobs for non-agricultural activities. In order to reach such objectives, there were applied measures of agricultural policy concerning the market and measures for assuring the rural development.

The assessment of the implications of such mechanisms of communitarian support becomes this way an important issue for the elaboration and promotion of the efficient agricultural policies. The high number of exploitations of small dimensions, the low level of absorption of the communitarian funds due to the weak capitalization and bureaucracy, the dependence of the economic performances on the volume of subventions, the low productivity of agriculture, especially for small and middle exploitations, etc. are only several of the issues that should be dealt by the Romanian agriculture, especially in relation with the use of the communitarian support, creating long term negative effects on the performances of the agricultural exploitations and on the development of the agricultural sector. (El Benni N., Finger R., 2014, Dona I. *et al*, 2014).

The 2014-2020 IMF, approved in November 2014 (Council of the European Union, 2014), reveals a reduction in agricultural policy spending over the coming period. The amount allocated to the CAP amounts to 362.8 billion euro's, 37.8% of the total EU budget (less than 47.1% in 2007-2014). Thus, in 2020, the CAP budget will account for 35% of EU spending, 5% less than in 2014 (Table 1).

Table 1

CAP expenses for the period 2014-2020 (2011 constant prices)

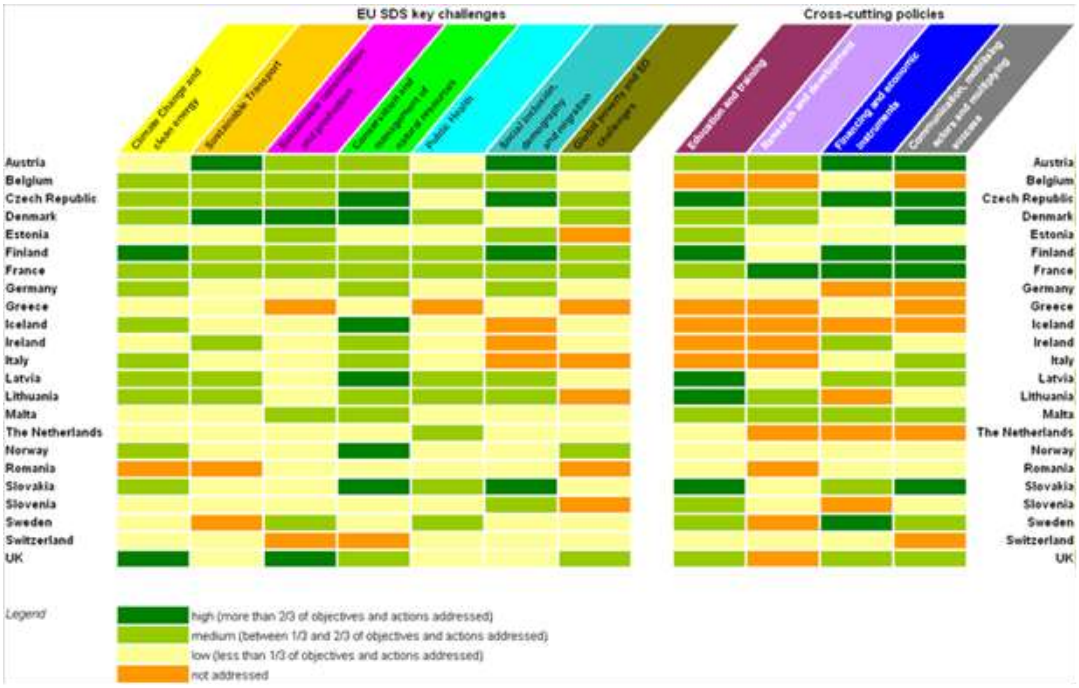
	2014	2014	2015	2016	2017	2018	2019	2020	Total
Competitiveness for growth and jobs	18.0	15.6	16.3	16.7	17.7	18.5	19.7	21.1	125.6
Economic, social and territorial cohesion	52.4	44.7	45.4	46.0	46.5	47.0	47.5	47.9	325.1
Sustainable growth: natural resources	59.6	55.9	55.1	54.3	53.4	52.5	51.5	50.6	373.2
Security and Citizenship	2.5	2.1	2.1	2.2	2.2	2.3	2.4	2.5	15.7
Global Europe	9.1	7.9	8.1	8.3	8.4	8.6	8.8	8.8	58.7
Administration	0.0	8.2	8.4	8.6	8.8	9.0	9.2	9.4	61.6
Compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grand total	141.6	134.3	135.3	136.1	137.1	137.9	139.1	140.2	960.0
CAP spending in the EU budget -%	**40.3**	**40.5**	**39.6**	**38.8**	**37.9**	**37.0**	**35.9**	**35.0**	**37.8**
EAGF - %	**72.4**	**74.4**	**74.4**	**74.5**	**74.5**	**74.5**	**74.4**	**74.4**	**74.5**
FEADR - %	**23.3**	**23.0**	**22.9**	**22.8**	**22.7**	**22.7**	**22.6**	**22.6**	**22.8**

Source: Dona et.al, 2014, based on data from the European Commission

The Commission's Multiannual Financial Framework confirms that the structure with two pillars of the CAP is retained by EUR 277.8 billion allocated for direct payments and market measures in Pillar I, while EUR 84.9 billion is earmarked for rural development expenditure under Pillar 2. The Commission proposes and another € 3.5 billion for agricultural crisis management measures to be financed outside of the multiannual financial framework. (Henke R., 2014). This leads to the establishment of an emergency mechanism to combat crisis situations in order to provide

immediate support to farmers in an accelerated procedure. (Dona I. *et al*, 2014, Ungureanu G. *et al*, 2013**).**

The changes introduced by the Fisher Reform have led to: a change in the profile of Pillar I of the CAP, with a substantial increase in direct payments; increasing the weight of Pillar II in financial terms, but at the same time broadening its objectives; increasing the dependency of CAP reform processes on the EU budget and on the financing system (*figure 1*).

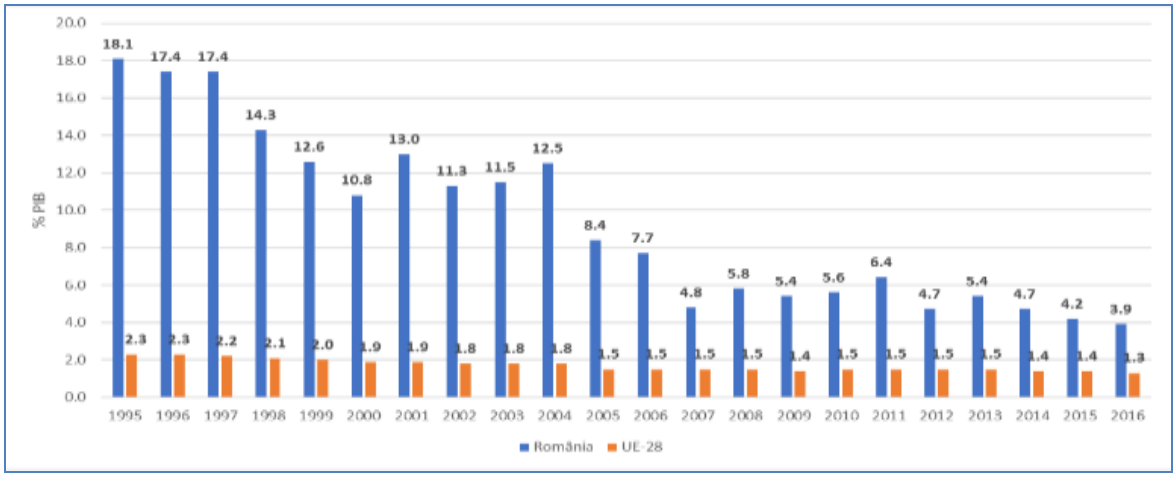


Sursa: DG Agri, 2018

Figure 1 **CAP spending and CAP reforms (current prices 2018)**

Synthetically, the Fisher Reform, with regard to supporting systems and mechanisms, introduced the following changes:

The evolution of VAB in agriculture decrease in 2007-2016 from 4,8 % of GDP (PIB) at 3,9 % of GDP, but the net added value per hectare was much lower than the one recorded in small-scale firms (*figure* 2). On the other hand, labour productivity reached very high values of approx. 20000-30000 euro / AWU, respectively approx. 3-7 times higher than in 2007, while on small farms, although rising, labour productivity is approx. 2700 euro / AWU.



Source : Eurostat

Figure 2. **The evolution of VAB in agriculture**

As a result, the contribution of agriculture to GDP halved in the decade 1995-2005 (from gross value added (VAB) of 18.1% of GDP to 8.4% of GDP in 2005) and had a similar following the accession to the EU, so that the share of VAB from agriculture to GDP is almost half of the level registered in 2005 (*figure 2*) in 2016.

The analysis of economic performances shows that in 2014, without receiving subsidies, most farms would have lost, except for small farms with lower consumption of inputs (*table* 3). In 2014, the income rate varied between 54.1% and 90.7%, while without subsidies the income rate reached only 25.6-65.7%. (Dona I. *et al*, 2014**).** Major increases in economic performance compared to 2007 were recorded mainly on farms with a standard value ranging from 8000 to 100000 euro/exploitation. The need to increase the competitiveness on the European Agricultural Market, the creation of an integrated rural development program to accompany the reform process, the simplification of the legislative framework at the European level and the substantial decentralization in implementing the measures shall lead to a reform in phases, whose effects shall mark the entire European construct. (Boggia A. *et al*,, 2014**).**

Table 2

Evolution of income rates, per standard value categories, for the period 2007-2014

	2007		2014		2014/2007 (+/-) Percentage points	
	Income Rate (%)	Income rate without subsidies (%)	Income Rate (%)	Income rate without subsidies (%)	Income rate	Income rate without subsidies
2 000 - < 8 000 EUR	46.1	29.9	67.8	50.6	21.7	20.7
8 000 - < 25 000 EUR	12.1	-4.5	90.7	65.7	78.6	70.2
25 000 - < 50 000 EUR	19.9	1.2	84.5	56.7	64.7	55.5
50 000 - < 100 000 EUR	10.3	-11.3	70.3	38.8	60.0	50.2
100 000 - < 500 000 EUR	21.1	-6.2	54.1	25.6	33.0	31.8
>= 500 000 EUR	13.4	-11.7	54.1	30.3	40.7	41.9

Source: processing by FADN (RICA)

Therefore, although Romania's GDP fluctuations are less influenced by the shocks from the agricultural supply, the negative contribution may be noted even in the years of economic growth. Romania has the largest number of agricultural holdings in the EU of 3.6 million in 2013, which is equivalent to the decentralization or dissemination of labor resources between them.

In 2014, the most important subsidies were direct payments, followed by other grants and complementary national payments (Table 3).

Table 3

Subsidies structure, per standard value categories, 2007 and 2014

	Plant production subsidies	Animal production subsidies	Rural development	Intermediate consumption subsidies	Decoupled payments	Other subsidies
2007						
(1) 2 000 - < 8 000 EUR	1.5	51.7	0.0	6.1	25.4	15.4
(2) 8 000 - < 25 000 EUR	1.4	74.0	0.0	6.3	12.6	5.8
(3) 25 000 - < 50 000 EUR	0.3	76.6	0.0	4.8	9.9	8.4
(4) 50 000 - < 100 000 EUR	1.5	46.3	0.0	12.4	18.0	21.8
(5) 100 000 - < 500 000 EUR	5.0	23.6	0.0	19.8	20.7	30.8
(6) >= 500 000 EUR	3.0	26.6	0.0	21.9	17.9	30.6
2014						
(1) 2 000 - < 8 000 EUR	0.3	2.1	16.4	0.1	64.0	17.1
(2) 8 000 - < 25 000 EUR	2.7	13.3	12.0	0.8	53.4	18.0
(3) 25 000 - < 50 000 EUR	0.5	11.0	5.2	1.6	62.6	19.0
(4) 50 000 - < 100 000 EUR	0.0	4.6	4.3	2.6	67.7	20.7
(5) 100 000 - < 500 000 EUR	0.4	1.6	5.3	4.3	67.1	21.2
(6) >= 500 000 EUR	0.6	7.4	7.8	4.0	51.5	28.7

Source: FADN processing (RICA)

Performance of agricultural holdings by sector

The performance of farms in the field crops, grazing livestock crops and mixed farms was increasing during the period 2007-2014, (Dona I,

Toma E., Dobre C., Roman, L, 2014**)** but the net added value per hectare in the vegetal sector was highest in the horticultural sector (Table 4). On the other hand, labor productivity reached very high values in the livestock sector (about 118 thousand euro / AWU), 243.5% more than in 2007, and in field crops (about 16 thousand euro / AWU) where the increase was 515.8%. The analysis of economic performance shows that in 2007 without receiving subsidies the farms in the field crops and granivores would have lost, while the wine sector had a negative income rate due to the unfavourable climatic conditions (*table 6*). In 2014, the income ratio varied between 26.5% in horticulture and 85.5% in the dairy cow sector, while without subsidies the income rate reached only 22.1-62.6%.

Table 4

Evolution of the net added value per hectare and labour productivity, per sectors, for the period 2007-2014

	2007		2014		2014/2007 (%)	
	VAN/ha	VAN/AWU	VAN/ha	VAN/AWU	VAN/ha	VAN/AWU
Field crops	312.1	3193.4	467.7	16473.0	149.9	515.8
Horticulture	5262.8	3359.2	2426.9	2804.8	46.1	83.5
Wine	1678.2	3018.7	1381.4	6041.9	82.3	200.1
Other permanent crops	1290.0	3853.8	1434.3	5446.6	111.2	141.3
Milk	1023.9	2411.5	923.6	3944.1	90.2	163.6
Other grazing livestock	565.6	1917.6	855.5	4669.4	151.3	243.5
Other granivorous animals	7774.5	5289.1	4498.7	11777.8	57.9	222.7
Mixed	499.8	1156.5	833.9	2911.7	166.9	251.8

Source: FADN processing (RICA)

Major increases in economic performance compared to 2007 were recorded mainly in the livestock sector and in the wine sector. Although there is a slight downward trend in the number of farms (*table 5*), convergence towards a situation similar to that in the EU is slow (14.7% decrease in the number of farms in 2013 compared to 2005), the tendency reducing the number of agricultural holdings being more advanced at European level (decrease by more than 25% of the number of farms in the same period).

Table 5

Evolution of income rates, per sectors, for the period 2007-2014

	2007		2014		2014/2007 (+/-) Percentage points	
	Income rate (%)	Income rate without subsidies (%)	Income rate (%)	Income rate without subsidies (%)	Income rate	Income rate without subsidies
Field crops	19.0	-5.6	56.7	28.1	37.7	33.7
Horticulture	55.1	49.1	26.5	22.1	-28.6	-26.9
Wine	-9.2	-12.7	40.5	26.9	49.7	39.7
Other permanent crops	45.7	38.8	73.0	62.6	27.3	23.8
Milk	85.5	65.6	85.5	60.8	0.0	-4.8
Other grazing livestock	55.8	40.2	81.3	60.6	25.6	20.5
Other granivorous animals	7.8	-12.5	64.8	44.7	56.9	57.3
Mixed	42.9	30.8	69.1	52.1	26.1	21.3

Source: FADN processing (RICA)

The analysis of the subsidy structure in 2014 highlights that the most important subsidies were direct payments for the plant and livestock sector, followed by support for rural development and other subsidies, while in the livestock sector other subsidies were important, complementary national payments and support for rural development (El Benni N., Finger R., 2014).

CONCLUSIONS

The Community Agricultural Policy proved to be one of the most successful communitarian policies, having also a high degree of complexity. Exactly this success shall determine the difficulty of the reform, considering the changes in the initial

conditions that represented the fundament of its elaboration.

The analysis per types of production of the separation per sources of incomes, revealed us that the support through Pillar I – subventions for the vegetal and animal production – was more equally distributed among farms. The contribution of the income sources to forming the total income emphasized that the value of the agricultural production leads to around 67.1% of inequity, the remaining being under the influence of subventions. Among these, the most important contribution was determined by the free payments (21,3%), these being followed by subventions for intermediary consumption and other subventions. The assessment of the effect of the modification of the income sources on the total income:

Incomes from the agricultural production and other subventions lead to the increase of inequity among farms that obtain different products (grains, wine, horticultural products, etc.); increase with 1% of the incomes from the agricultural production leads to the inequity increase with 5.76%;

The subventions lead, generally, to the decrease of inequity between them, especially subventions for the animal production (decrease of 3,33%) and direct payments (with 2,17%);

The analysis per types of specialized farms concerning the discomposure on income sources showed us that the value of the agricultural production leads to 68.8% of inequity, the remaining ones being under the influence of subventions. Among these, the most important contribution was of the free payments (20,8%) and the subventions for the intermediary consumes. The assessment of the effect generated by the modification of the income sources on the total income:

- incomes from the agricultural production, other subventions and subventions for breeding, lead to the increase of the inequity between the specialized farms; the increase with 1% of the incomes from the agricultural production leads to the increase of inequity with 6,85%;

- the subventions generally lead to the decrease of the inequity between them, especially in regard to the subventions for breeding (decrease of 4,1%) and direct payments (with 3,04%).

In conclusion, the subventions granted based on Pillar I present the highest level of importance in obtaining the incomes and therefore influence more and directly the inequity between farms. The obtained results show us that a modification with 1% of the subventions granted through Pillar I: they have a negative effect leading to the increase of inequalities between different size farms; they have a positive effect leading to the reduction of disparities between the farms from different sectors or specialized on certain products.

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